

Michigan Department of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Caldwell Township	County Missaukee
Audit Date 3/31/05	Opinion Date 8/26/05	Date Accountant Report Submitted to State: 9/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C.			
Street Address 134 W. Harris Street	City Cadillac	State MI	ZIP 49601
Accountant Signature 		Date 9-30-05	

CALDWELL TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2005

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2005

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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2005

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CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Caldwell Township
Missaukee County
Lake City, Michigan

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell Township, Missaukee County, Lake City, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Caldwell Township, Missaukee County, Lake City, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Caldwell Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Caldwell Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2005. In future years, comparative information will be provided.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$701,896. Of this amount, \$501,327 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$588,145. About 85% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2005 for Caldwell Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, cultural and recreation and other functions. The Township does not have any business-type activities.

Fund Financial Statements

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long-Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$701,896 at March 31, 2005, meaning the Township's assets were greater than its liabilities by this amount.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Caldwell Township
Net Assets as of March 31, 2005

	Governmental Activities
Assets	
Current Assets	\$ 588,760
Non Current Assets	
Capital Assets	211,612
Less: Accumulated Depreciation	(97,861)
Total Non Current Assets	113,511
Total Assets	\$ 702,511
Liabilities	
Current Liabilities	\$ 615
Net Assets	
Invested in Capital Assets	113,751
Restricted for Specific Purposes	86,818
Unrestricted	501,327
Total Net Assets	701,896
Total Liabilities and Net Assets	\$ 702,511

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township is not responsible for any long-term debt as of March 31, 2005. Other liabilities are minimal as of March 31, 2005.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Caldwell Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2005

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,897
General Revenues	
Property Taxes and Assessments	77,619
State Shared Revenue	98,947
Unrestricted Investment Earnings	6,462
Other	<u>10,798</u>
Total Revenues	\$ <u>198,723</u>
<u>Expenses</u>	
Legislative	\$ 9,739
General Government, Administrative	77,264
Public Safety	29,044
Public Works	6,433
Recreational and Cultural	4,050
Debt Service	1,107
Other Functions	8,010
Unallocated Depreciation	<u>11,026</u>
Total Expenses	<u>146,673</u>
Changes in Net Assets	52,050
NET ASSETS – Beginning of Year	<u>649,846</u>
NET ASSETS – End of Year	\$ <u><u>701,896</u></u>

Governmental Activities

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$52,050. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

A significant portion of the revenue for all governmental activities of Caldwell Township comes from property taxes and special assessments. The Township levied 1.50 mills for operating purposes.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2005, the amount of state shared revenue received increased by a very small amount.

The Township's governmental activities expenses are dominated by general governmental expenses that total 53% of total expenses. The Township spent \$77,264 in fiscal year 2005 on General Administrative expenses. Public Safety represented the next largest expense at \$29,044, or 20% of total expenses. Expenses for salaries represent a large portion of the General Administrative expenses at \$57,115. Depreciation expense added another \$11,026.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Caldwell Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Caldwell Township's governmental funds reported combined ending fund balances of \$588,145. Approximately 85% or \$501,327 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for street lighting must be used for expenditures that relate to street lighting.

General Fund – The General Fund increased its fund balance by \$58,753 which brings the fund balance to \$501,327. The General Fund's fund balance is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$45,847 and state shared revenues were collected in the amount of \$98,947.

Fire Fund – The Fire Fund fund balance increased by \$97. Property taxes collected amounted to \$28,229.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2005 amounted to \$113,751 net of accumulated depreciation. The Township's investment in capital assets for the current fiscal year increased by \$3,410.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2005

Caldwell Township
Capital Assets as of March 31, 2005

		Governmental Activities
Land and Land Improvements	\$	28,475
Buildings and Building Improvements		141,706
Equipment, Furniture and Fixtures		41,431
		<hr/> 211,612
Less Accumulated Depreciation		<hr/> (97,861)
Net Capital Assets	\$	<u><u>113,751</u></u>

During the fiscal year the Township purchased a new John Deere lawn tractor and a new Dell computer for the Supervisor.

Long-Term Debt. Caldwell Township has no obligation for any long-term debt as of March 31, 2005.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2005-06 fiscal year.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Caldwell Township at 3401 Hilbrand Road, Manton, MI 49663.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 560,862
Taxes Receivable	9,110
Accounts Receivable	4,126
Due from Other Governments	<u>14,662</u>
Total Current Assets	<u>\$ 588,760</u>

CAPITAL ASSETS

Capital Assets	\$ 211,612
Less Accumulated Depreciation	<u>(97,861)</u>
Net Capital Assets	<u>\$ 113,751</u>
TOTAL ASSETS	<u><u>\$ 702,511</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	<u>\$ 615</u>
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NET ASSETS

Invested in Capital Assets	\$ 113,751
Restricted for Street Lighting	14,997
Restricted for Fire Protection	71,821
Unrestricted	<u>501,327</u>
TOTAL NET ASSETS	<u>\$ 701,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 702,511</u></u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005

					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			TOTAL GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 9,739	\$ 0	\$ 0	\$ 0	\$ (9,739)
General Government, Administrative	77,264	4,897	0	0	(72,367)
Public Safety	29,044	0	0	0	(29,044)
Public Works	6,433	0	0	0	(6,433)
Cultural and Recreation	4,050	0	0	0	(4,050)
Debt Service	1,107	0	0	0	(1,107)
Other Functions	8,010	0	0	0	(8,010)
Unallocated Depreciation	11,026	0	0	0	(11,026)
Total Governmental Activities	<u>\$ 146,673</u>	<u>\$ 4,897</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (141,776)</u>
<u>GENERAL REVENUES</u>					
Property Tax and Special Assessments					\$ 77,619
State Shared Revenue					98,947
Unrestricted Investment Earnings					6,462
Other					10,798
Total General Revenues and Transfers					<u>\$ 193,826</u>
Change in Net Assets					\$ 52,050
<u>NET ASSETS</u> - Beginning of Year					<u>649,846</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 701,896</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2005

	GENERAL FUND	FIRE FUND	NONMAJOR FUNDS	TOTALS
<u>ASSETS</u>				
Cash	\$ 477,438	\$ 68,178	\$ 15,246	\$ 560,862
Taxes Receivable	5,317	3,643	150	9,110
Accounts Receivable	4,126	0	0	4,126
Due from Other Governments	14,662	0	0	14,662
TOTAL ASSETS	<u>\$ 501,543</u>	<u>\$ 71,821</u>	<u>\$ 15,396</u>	<u>\$ 588,760</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	<u>\$ 216</u>	<u>\$ 0</u>	<u>\$ 399</u>	<u>\$ 615</u>
<u>FUND BALANCE</u>				
Reserved for:				
Street Lighting	\$ 0	\$ 0	14,997	14,997
Fire Protection	0	71,821	0	71,821
Unreserved				
Undesignated	<u>501,327</u>	<u>0</u>	<u>0</u>	<u>501,327</u>
Total Fund Balance	<u>\$ 501,327</u>	<u>\$ 71,821</u>	<u>\$ 14,997</u>	<u>\$ 588,145</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 501,543</u>	<u>\$ 71,821</u>	<u>\$ 15,396</u>	<u>\$ 588,760</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005

Total Fund Balances for Governmental Funds	\$	588,145
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Capital Assets	\$	211,612	
Accumulated Depreciation		(97,861)	113,751

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>701,896</u>
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The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	GENERAL FUND	FIRE FUND	NON MAJOR FUNDS	TOTALS
<u>REVENUES</u>				
Taxes	\$ 49,390	\$ 28,229	\$ 0	\$ 77,619
State Grants	98,947	0	0	98,947
Charges for Services	4,882	15	0	4,897
Interest and Rents	6,320	357	415	7,092
Other Revenues	586	540	9,042	10,168
Total Revenues	\$ 160,125	\$ 29,141	\$ 9,457	\$ 198,723
<u>EXPENDITURES</u>				
Legislative	\$ 9,739	\$ 0	\$ 0	\$ 9,739
General Government	80,674	0	0	80,674
Public Safety	0	29,044	0	29,044
Public Works	2,949	0	3,484	6,433
Cultural and Recreation	0	0	4,050	4,050
Debt Service	0	0	21,820	21,820
Other Functions	8,010	0	0	8,010
Total Expenditures	\$ 101,372	\$ 29,044	\$ 29,354	\$ 159,770
Excess of Revenues Over (Under) Expenditures	\$ 58,753	\$ 97	\$ (19,897)	\$ 38,953
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	\$ 0	\$ 0	\$ 12,379	\$ 12,379
Transfers Out	0	0	(12,379)	(12,379)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 58,753	\$ 97	\$ (19,897)	\$ 38,953
<u>FUND BALANCE</u> - Beginning of Year	442,574	71,724	34,894	549,192
<u>FUND BALANCE</u> - End of Year	\$ 501,327	\$ 71,821	\$ 14,997	\$ 588,145

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 38,953
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	3,410
Depreciation Expense	(11,026)
Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	<u>20,713</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 52,050</u></u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 949</u>
<u>LIABILITIES</u>	
Due to Other Governments	<u>\$ 949</u>
<u>NET ASSETS</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Caldwell Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
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Caldwell Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

Additionally Caldwell Township reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for the servicing of long-term debt not being financed by proprietary or nonexpendable trust funds.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts and certificates of deposit.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes are levied and due July 1, and become delinquent after September 14. County school taxes and all other taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. *Inventories and Prepaid Items*

Inventories and prepaid items are not significant and are expensed as required.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	25
Equipment and Furniture	5-10

The City qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the City will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the City's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The Township currently has no long-term obligations.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 18, 2004.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. At year end the carrying amount of the Township's deposits was \$561,811 and the bank balance was \$563,039. Of the bank balance, \$228,346 was covered by federal depository insurance and \$334,693 was uninsured and uncollateralized.

A reconciliation of cash and investments follows:

	<u>PRIMARY GOVERNMENT</u>
Carrying amount of Deposits	\$ <u>561,811</u>
Government-wide Statement of Net Assets	
Cash	\$ 560,862
Statement of Fiduciary Net Assets	
Cash	<u>949</u>
Total	\$ <u><u>561,811</u></u>

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>		<u>Fire</u>		<u>Total</u>
Receivables					
Accounts	\$ 4,126	\$	0	\$	4,126
Taxes	<u>5,317</u>		<u>3,643</u>		<u>8,960</u>
	\$ <u><u>9,443</u></u>	\$	<u><u>3,643</u></u>	\$	<u><u>13,086</u></u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Capital assets, being depreciated				
Buildings and Improvements	141,706	0	0	141,706
Land Improvements	23,475	0	0	23,475
Machinery and equipment	38,021	3,410	0	41,431
Total capital assets, being depreciated	203,202	3,410	0	206,612
Less accumulated depreciation for:				
Buildings	54,975	6,292	0	61,267
Land Improvements	6,932	1,565	0	8,497
Machinery and equipment	24,928	3,169	0	28,097
Total accumulated depreciation	86,835	11,026	0	97,861
Total capital assets, being depreciated, net	116,367	(7,616)	0	108,751
Governmental activities capital assets, net	\$ 121,367	\$ (7,616)	\$ 0	\$ 113,751

D. Interfund Receivables, Payables and Transfers

As of March 31, 2005, there were no interfund receivable and payable balances.

Interfund transfers as of March 31, 2005, were:

	TRANSFERS	
	IN	OUT
Primary Government		
General Fund		
Debt Service Fund – Sewer Project #1	\$ 0	\$ 12,379
Debt Service Fund – Sewer Project #2	12,379	0
	\$ 12,379	\$ 12,379

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

E. Long-Term Debt

The following is a summary of debt transactions of the Township for the fiscal year ended March 31, 2005:

Bonds Payable at April 1, 2004	\$ 20,713
Payments on Bonds	<u>(20,713)</u>
BONDS PAYABLE AT MARCH 31, 2005	<u>\$ 0</u>

The Township's Long-Term Debt consists of the following:

Serial Bonds

1993 Missaukee Sanitary Drainage District No. 2 Drain Bonds; due in annual installment of \$21,740	\$ <u>0</u>
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F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Fire Fund

Fire Protection	\$ 71,821
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Street Lighting Fund

Street Lighting	<u>14,997</u>
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Total Fund Balance Reservations	<u>\$ 86,818</u>
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IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

B. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan is commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 6% of compensation to the plan annually, with employees contributing an additional 6%. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2004-05 plan year amounted to \$2,979 and employees contributed \$2,979. In addition, the Township paid \$175 in service fees.

Total wages for those covered under the plan was \$54,082 and total wages for the employees including noncovered payroll was \$54,307.

C. Property Taxes

The Township levied 2.50 mills in tax on state taxable value of \$30,567,739 on the 2004 tax roll. The 2.50 mill levy was for the following purposes:

Fire Protection	1.00
General Operations	<u>1.50</u>
	<u>2.50</u>

D. Interest Income and Expense

For the year ended March 31, 2005 interest income and expense was as follows:

	Interest	
	Income	Expense
General Fund	\$ 5,690	\$ 0
Fire Fund	357	0
Street Lighting Fund	67	0
Debt Service Fund – Sewer Project #1	1	0
Debt Service Fund – Sewer Project #2	347	1,107
TOTAL	\$ 6,462	\$ 1,107

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

E. Lake Improvement Fund

Caldwell and Lake Township property owners on Crooked Lake have established a Lake Improvement Board for the purpose of improving Crooked Lake. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Caldwell and Lake Townships send the collected assessments to the Crooked Lake Improvement Board which maintains the records for the lake improvements.

The Lake Improvement Fund as reported in these financial statements shows the transactions of the Township Lake Improvement Fund as they would have occurred if all lake improvement monies received for the current and delinquent taxes were sent to the Lake Improvement Fund before being sent to the Crooked Lake Improvement Board. The payments are being sent to the Crooked Lake Improvement Board directly from the Current Tax Fund and from the General Fund due to substantial savings of time and bookkeeping procedures.

F. Fire Protection

The Township contracts with the City of Manton for fire protection. The City of Manton contract calls for payment at .75 mills on SEV of the area covered. The contract runs from December 1, to November 30, of each year. For the 2004-2005 fiscal year, the Township paid \$6,606 for this protection.

G. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$450 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and buy fire equipment.

For the year ended March 31, 2005, the Township contributed a total of \$9,712 to the Fire Authority for operations.

The following financial information was taken from the Fire Authority's March 31, 2004 audited financial statements:

Total Assets	\$ 1,235,721
Investment in Fixed Assets	1,175,195
Fund Balance – Unreserved	60,526
Total Receipts	104,057
Total Disbursements	83,002
Total Other Financing Sources	0
Net Increase (Decrease) in Fund Balance	21,055

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2005

	GENERAL FUND				FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 41,145	\$ 41,145	\$ 49,390	\$ 8,245	\$ 26,505	\$ 26,505	\$ 28,229	\$ 1,724
State Grants	97,962	97,962	98,947	985	0	0	0	0
Charges for Services	2,006	2,006	4,882	2,876	780	780	15	(765)
Interest and Rents	8,886	8,886	6,320	(2,566)	443	443	357	(86)
Other Revenues	5,893	5,893	586	(5,307)	0	0	540	540
Total Revenues	\$ 155,892	\$ 155,892	\$ 160,125	\$ 4,233	\$ 27,728	\$ 27,728	\$ 29,141	\$ 1,413
<u>EXPENDITURES</u>								
Legislative	\$ 13,947	\$ 15,747	\$ 9,739	\$ 6,008	\$ 0	\$ 0	\$ 0	\$ 0
General Government	108,607	108,879	80,674	28,205	0	0	0	0
Public Safety	0	0	0	0	24,060	30,761	29,044	1,717
Public Works	75,000	75,000	2,949	72,051	0	0	0	0
Other Functions	18,712	18,712	8,010	10,702	0	0	0	0
Total Expenditures	\$ 216,266	\$ 218,338	\$ 101,372	\$ 116,966	\$ 24,060	\$ 30,761	\$ 29,044	\$ 1,717
Net Change in Fund Balance	\$ (60,374)	\$ (62,446)	\$ 58,753	\$ 121,199	\$ 3,668	\$ (3,033)	\$ 97	\$ 3,130
<u>FUND BALANCE</u> - Beginning of Year	442,574	442,574	442,574	0	71,724	71,724	71,724	0
<u>FUND BALANCE</u> - End of Year	\$ 382,200	\$ 380,128	\$ 501,327	\$ 121,199	\$ 75,392	\$ 68,691	\$ 71,821	\$ 3,130

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Commercial Account	\$ 26,363
Money Market Account	239,728
Certificates of Deposit	211,347
Taxes Receivable	5,317
Accounts Receivable	4,126
Due from Other Governments	14,662
	<hr/>
TOTAL ASSETS	<u><u>\$ 501,543</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 216
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FUND BALANCE

Unreserved	<hr/> 501,327
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 501,543</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Taxes	\$ 49,390
State Grants	98,947
Charges for Services	4,882
Interest and Rents	6,320
Other Revenues	586
Total Revenues	<u>\$ 160,125</u>

EXPENDITURES

Legislative	
Township Board	\$ 9,739
General Government	
Supervisor	11,913
Election	1,802
Assessor	19,071
Clerk	12,949
Board of Review	990
Treasurer	19,211
Building and Grounds	11,923
Cemetery	2,815
Public Works	2,949
Other Functions	8,010
Total Expenditures	<u>\$ 101,372</u>

Net Change in Fund Balance	\$ 58,753
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<u>FUND BALANCE</u> - Beginning of Year	<u>442,574</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 501,327</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
YEAR ENDED MARCH 31, 2005

TAXES

Current Property Tax	\$ 45,847	
Swamp Tax	<u>3,543</u>	
Total Taxes		\$ 49,390

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax	\$ 96,384	
Telecommunications Right of Way	<u>2,563</u>	
Total State Grants		98,947

CHARGES FOR SERVICES

Dog License Fees	\$ 2	
Land Division Fees	775	
Summer Tax Collection Fee	3,205	
Sales - Cemetery Lots	<u>900</u>	
Total Charges for Services		4,882

INTEREST AND RENTS

Interest Earnings	\$ 5,690	
Hall Rental	<u>630</u>	
Total Interest and Rents		6,320

OTHER REVENUES

Refunds and Rebates		<u>586</u>
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TOTAL REVENUES		<u><u>\$ 160,125</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages \$ 1,710

Retirement Benefits 1,629

Supplies

Office Supplies 112

Other Services and Charges

Education and Training 25

Contracted Services 3,064

Printing and Publishing 37

Dues 681

Recycling Program 624

Miscellaneous 1,857

Total Legislative \$ 9,739

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages \$ 9,000

Salaries and Wages - Deputy 1,500

Retirement Benefits 90

Supplies

Office Supplies 1,159

Other Services and Charges

Transportation and Expense 164

Total Supervisor \$ 11,913

Elections

Personal Services

Salaries and Wages \$ 1,361

Supplies

Operating Supplies 121

Other Services and Charges

Miscellaneous 320

Total Elections 1,802

Assessor

Personal Services

Salaries and Wages \$ 14,973

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

Supplies		
Office Supplies	1,455	
Other Services and Charges		
Contracted Services	2,183	
Dues and Fees	90	
Miscellaneous	370	
	<hr/>	
Total Assessor		19,071
Clerk		
Personal Services		
Salaries and Wages	\$ 10,500	
Salaries and Wages - Deputy	875	
Retirement Benefits	630	
Supplies		
Office Supplies	354	
Other Services and Charges		
Contracted Services	495	
Transportation and Expense	95	
	<hr/>	
Total Clerk		12,949
Board of Review		
Personal Services		
Salaries and Wages - Per Diem		990
Treasurer		
Personal Services		
Salaries and Wages	\$ 13,346	
Salaries and Wages - Deputy	2,125	
Retirement Benefits	630	
Supplies		
Office Supplies	1,359	
Other Services and Charges		
Contracted Services	1,546	
Transportation and Expense	205	
	<hr/>	
Total Treasurer		19,211
Building and Grounds		
Personal Services		
Salaries and Wages	\$ 555	
Other Services and Charges		
Communications	1,328	
Contracted Services	729	

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED MARCH 31, 2005

Repair and Maintenance	1,561		
Public Utilities	2,408		
Waste Removal	2,475		
Supplies	258		
Recreation	709		
Rentals	135		
Miscellaneous	604		
Capital Outlay			
Improvements and Equipment	1,161		
Total Building and Grounds		11,923	
Cemetery			
Personal Services			
Salaries and Wages	\$ 1,170		
Supplies			
Operating Supplies	33		
Other Services and Charges			
Repair and Maintenance	104		
Public Utilities	78		
Capital Outlay	1,430		
Total Cemetery		2,815	
Total General Government			80,674
<u>PUBLIC WORKS</u>			
Streets, Highways and Bridges			
Other Services and Charges			
Contracted Services		\$ 2,753	
Public Utilities		196	
Total Public Works			2,949
<u>OTHER FUNCTIONS</u>			
Insurance and Bonds		\$ 6,026	
Employee Benefits			
Medicare and Social Security		837	
Workers Compensation		972	
Pension Contribution		175	
Total Other Functions			8,010
TOTAL EXPENDITURES			\$ 101,372

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	
Money Market Account	\$ 68,178
Taxes Receivable	<u>3,643</u>
 TOTAL ASSETS	 <u><u>\$ 71,821</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>71,821</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 71,821</u></u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Taxes	
Current Property Tax	\$ 28,229
Charges for Services	
Fire Runs	15
Interest and Rents	
Interest Earnings	357
Other Receipts	
Miscellaneous	<u>540</u>
Total Revenues	<u>\$ 29,141</u>

EXPENDITURES

Public Safety	
Fire Protection	
Personal Services	
Salaries and Wages	\$ 540
Supplies	
Office Supplies	11
Other Services and Charges	
Aid to Other Government	
Manton Base Contracts	6,606
Lake Missaukee Area Fire Authority	9,712
Lake Missaukee Area Fire Authority - Equipment	9,700
Audit	375
Miscellaneous	
Delinquent Fire Runs	<u>2,100</u>
Total Expenditures	<u>\$ 29,044</u>
Net Change in Fund Balance	\$ 97

<u>FUND BALANCE</u> - Beginning of Year	<u>71,724</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>71,821</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING BALANCE SHEET

MARCH 31, 2005

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash	\$ 15,246	\$ 0	\$ 15,246
Taxes Receivable	150	0	150
TOTAL ASSETS	<u>\$ 15,396</u>	<u>\$ 0</u>	<u>\$ 15,396</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts Payable	<u>\$ 399</u>	<u>\$ 0</u>	<u>\$ 399</u>
<u>FUND BALANCE</u>			
Reserved for Debt Service	\$ 0	\$ 0	\$ 0
Reserved for Street Lighting	<u>14,997</u>	<u>0</u>	<u>14,997</u>
Total Fund Balances	<u>\$ 14,997</u>	<u>\$ 0</u>	<u>\$ 14,997</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,396</u>	<u>\$ 0</u>	<u>\$ 15,396</u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Interest and Rents	\$ 67	\$ 348	\$ 415
Other Revenues	4,050	4,992	9,042
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 4,117	\$ 5,340	\$ 9,457
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Public Works	\$ 3,484	\$ 0	\$ 3,484
Recreational and Cultural	4,050	0	4,050
Debt Service	0	21,820	21,820
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 7,534	\$ 21,820	\$ 29,354
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	\$ (3,417)	\$ (16,480)	\$ (19,897)
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 0	\$ 12,379	\$ 12,379
Transfers Out	0	(12,379)	(12,379)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (3,417)	\$ (16,480)	\$ (19,897)
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	18,414	16,480	34,894
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 14,997	\$ 0	\$ 14,997
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2005

	STREET LIGHTING	LAKE IMPROVEMENT	TOTAL
<u>ASSETS</u>			
Cash	\$ 15,246	\$ 0	\$ 15,246
Taxes Receivable	0	150	150
TOTAL ASSETS	<u>\$ 15,246</u>	<u>\$ 150</u>	<u>\$ 15,396</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 249	\$ 150	\$ 399
<u>FUND BALANCE</u>			
Reserved for Street Lighting	<u>14,997</u>	<u>0</u>	<u>14,997</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 15,246</u>	<u>\$ 150</u>	<u>\$ 15,396</u>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2005

	SPECIAL REVENUE FUNDS	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Interest and Rents	\$ 67	\$ 348	\$ 415
Other Revenues	4,050	4,992	9,042
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 4,117	\$ 5,340	\$ 9,457
	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>			
Public Works	\$ 3,484	\$ 0	\$ 3,484
Recreational and Cultural	4,050	0	4,050
Debt Service	0	21,820	21,820
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 7,534	\$ 21,820	\$ 29,354
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under)			
Expenditures	\$ (3,417)	\$ (16,480)	\$ (19,897)
	<hr/>	<hr/>	<hr/>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 0	\$ 12,379	\$ 12,379
Transfers Out	0	(12,379)	(12,379)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	\$ (3,417)	\$ (16,480)	\$ (19,897)
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - Beginning of Year	18,414	16,480	34,894
	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 14,997	\$ 0	\$ 14,997
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STREET LIGHTING FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash	\$ 15,246
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 249
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FUND BALANCE

Reserved for Street Lighting	14,997
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TOTAL LIABILITIES AND FUND BALANCE	\$ 15,246
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STREET LIGHTING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest and Rents	
Interest Earnings	<u>\$ 67</u>

EXPENDITURES

Public Works	
Street Lighting	
Other Services and Charges	
Public Utilities	\$ 2,984
Audit	<u>500</u>

Total Expenditures	<u>\$ 3,484</u>
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Net Change in Fund Balance	\$ (3,417)
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<u>FUND BALANCE</u> - Beginning of Year	<u>18,414</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 14,997</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

LAKE IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2005

ASSETS

Taxes Receivable	<u>\$ 150</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 150
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<u>FUND BALANCE</u>	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 150</u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

LAKE IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Other Receipts
Special Assessments

\$ 4,050

EXPENDITURES

Cultural and Recreation
Lake Improvement
Aid to Other Governments

4,050

Net Change in Fund Balance

\$ 0

FUND BALANCE - Beginning of Year

0

FUND BALANCE - End of Year

\$ 0

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NONMAJOR DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
MARCH 31, 2005

	SEWER PROJECT #1	SEWER PROJECT #2	TOTAL
<u>ASSETS</u>	\$ 0	\$ 0	\$ 0
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u>			
Reserved for Debt Retirement	0	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 0	\$ 0

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest and Rents	
Interest on Investments	\$ 6
Interest on Assessments	341
Other Revenues	
Special Assessments	<u>4,992</u>
Total Revenues	<u>\$ 5,339</u>

EXPENDITURES

Debt Service	
Redemption of Bonds	\$ 20,713
Interest on Bonds	<u>1,107</u>
Total Expenditures	<u>\$ 21,820</u>
Excess of Revenues Over (Under) Expenditures	\$ (16,481)

OTHER FINANCING SOURCES (USES)

Transfers In	
Debt Service Fund - Sewer Project #1	<u>12,379</u>
Net Change in Fund Balance	\$ (4,102)

<u>FUND BALANCE</u> - Beginning of Year	<u>4,102</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>0</u></u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #1

BALANCE SHEET
MARCH 31, 2005

ASSETS

TOTAL ASSETS	\$ 0
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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<u>FUND BALANCE</u>	
Reserved for Debt Retirement	0

TOTAL LIABILITIES AND FUND BALANCE	\$ 0
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest and Rents

Interest on Investments	\$	1
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EXPENDITURES

0

Excess of Revenues Over
(Under) Expenditures

\$	1
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OTHER FINANCING SOURCES (USES)

Transfers Out

Debt Service Fund - Sewer Project #2	(12,379)
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Net Change in Fund Balance

\$	(12,378)
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FUND BALANCE - Beginning of Year

12,378

FUND BALANCE - End of Year

\$	0
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

BALANCE SHEET
MARCH 31, 2005

ASSETS

TOTAL ASSETS	<u>\$ 0</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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<u>FUND BALANCE</u>	
Reserved for Debt Retirement	<u>0</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 0</u>
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2005

REVENUES

Interest and Rents	
Interest on Investments	\$ 6
Interest on Assessments	341
Other Revenues	
Special Assessments	4,992
	<hr/>
Total Revenues	\$ 5,339
	<hr/>

EXPENDITURES

Debt Service	
Redemption of Bonds	\$ 20,713
Interest on Bonds	1,107
	<hr/>
Total Expenditures	\$ 21,820
	<hr/>
Excess of Revenues Over (Under) Expenditures	\$ (16,481)

OTHER FINANCING SOURCES (USES)

Transfers In	
Debt Service Fund - Sewer Project #1	12,379
	<hr/>
Net Change in Fund Balance	\$ (4,102)

<u>FUND BALANCE</u> - Beginning of Year	<hr/> 4,102
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<u>FUND BALANCE</u> - End of Year	<hr/> <hr/> \$ 0
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CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2005

	BALANCE 4/1/2004	ADDITIONS	DEDUCTIONS	BALANCE 3/31/2005
<hr/>				
<u>ASSETS</u>				
Cash				
Commercial Account	\$ 33	\$ 940,293	\$ 939,377	\$ 949
	<hr/>			
<u>LIABILITIES</u>				
Refunds Payable to Taxpayers	\$ 0	\$ 2,820	\$ 2,820	\$ 0
Due to Other Governments	33	937,473	936,557	949
	<hr/>			
TOTAL LIABILITIES	\$ 33	\$ 940,293	\$ 939,377	\$ 949
	<hr/>			

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2004 PROPERTY TAX ROLL
MARCH 31, 2005

TAXES ASSESSED

County		\$	227,252	
County State Education Tax			183,402	
Township				
Operating	\$	45,847		
Fire		28,229		
Sewer Assessment		529		
Delinquent Sewer		4,574	79,179	
Schools				
Lake City Area School	\$	252,067		
Manton Consolidated Schools		107,616	359,683	
Intermediate School				
Wexford-Missaukee			182,951	
Lake Improvement Board				
Crooked Lake Improvement Board			4,050	\$ 1,036,517

TAXES COLLECTED

County		\$	200,359	
County State Education Tax			172,346	
Township				
Operating	\$	40,530		
Fire		24,586		
Sewer Assessment		505		
Delinquent Sewer		1,559	67,180	
Schools				
Lake City Area School	\$	230,088		
Manton Consolidated Schools		94,947	325,035	
Intermediate School				
Wexford-Missaukee			161,735	
Lake Improvement Board				
Crooked Lake Improvement Board			3,900	930,555

CALDWELL TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2004 PROPERTY TAX ROLL
MARCH 31, 2005

TAXES RETURNED DELINQUENT

County		\$	26,893	
County State Education Tax			11,056	
Township				
Operating	\$	5,317		
Fire		3,643		
Sewer Assessment		24		
Delinquent Sewer		<u>3,015</u>	11,999	
Schools				
Lake City Area School	\$	21,979		
Manton Consolidated Schools		<u>12,669</u>	34,648	
Intermediate School				
Wexford-Missaukee			21,216	
Lake Improvement Board				
Crooked Lake Improvement Board			<u>150</u>	<u>\$ 105,962</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Caldwell Township
Missaukee County
Lake City, Michigan

During the course of our audit of the general-purpose financial statements of Caldwell Township for the year ended March 31, 2005, we noted the following:

Computerization of Records

With the increasing volume of accounting records needed to be maintained by the Township, we commend the Township officers for switching to computerized financial recordkeeping.

GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Caldwell Township, GASB 34 became effective this year beginning April 1, 2004.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

Capitalization Policy

The Township needs to adopt a formal capitalization policy. We will provide an example policy to assist the board.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

August 26, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Caldwell Township
Missaukee County
Lake City, Michigan

In planning and performing our audit of the general-purpose financial statements of Caldwell Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.